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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/08  
 LAST UPDATED 2/6/08      HB 245/aHBIC/aHTRC

SPONSOR Silva

SHORT TITLE NMFA Economic Development Fund Projects      SB \_\_\_\_\_

ANALYST Kehoe, L.

### APPROPRIATION (dollars in thousands)

| Appropriation             |      | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------------------|------|-------------------------|------------------|
| FY08                      | FY09 |                         |                  |
| (See Fiscal Implications) | NFI  | N/A                     | N/A              |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment removes the legislative authority for NMFA to provide financial assistance from the economic development fund for a solar panel manufacturing facility in Bernalillo or Sandoval County.

#### Synopsis of HBIC Amendments

The House Business and Industry Committee amendments authorizes NMFA to provide financial assistance from the economic development revolving fund to private entities for 11 projects in Bernalillo, Cibola, Taos, Roosevelt, Curry, Torrance, Sandoval, Dona Ana, Grant, San Juan and Hidalgo counties.

#### Synopsis of Original Bill

House Bill 245, introduced for the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to provide financing assistance for 38 private projects in 15 counties from the economic development revolving fund.

The bill contains an emergency clause.

## **FISCAL IMPLICATIONS**

The economic development revolving fund was capitalized with a \$10 million appropriation in 2005 and a \$2 million appropriation in 2007. The executive capital budget recommends a \$3 million appropriation for the loan participation program in 2008. To date, NMFA has obligated \$3.8 million for business attraction, retention and expansion projects located in Alamogordo, Las Vegas and Raton. The NMFA Board has approved \$4.1 million in loan participations, leveraging an additional \$11 million from private banking partners.

House Bill 245 requests legislative authorization for NMFA to provide financial assistance for projects totaling approximately \$254 million in the form of loan participations with private lenders not to exceed five million dollars (\$5,000,000) per project and subject to certain terms and conditions as set forth by NMFA. According to NMFA the two components to the investment return to legislative appropriations to the economic development revolving fund is as follows:

- The direct returns to the fund measured by the repayments of principal and interest on loans from the fund; and
- The return to the state as a whole in the form of additional tax and fee revenue generated as a result of the new business investment financed with loans from the fund.

The NMFA will leverage the capital by partnering with private banks and institutions so that loans from the fund finance no more than 49 percent of a total project. The program is designed to match the risk-need with appropriate financing arrangements. In a rural area, for example, local lenders may be constrained by legal lending limits and out-of-area lenders may be uncomfortable with the location. Regardless of the reason, the program will bridge the gap and give businesses in all areas of the state access to affordable capital. Some projects may only need introductions to lenders while others may need direct guarantees.

The NMFA will estimate the overall economic impact of each project by analyzing the long-term economic diversification, the increase in revenue to the state, job creation, and geographical location to determine priority of funded projects.

## **SIGNIFICANT ISSUES**

Laws 2003, Chapter 349, enacted the Statewide Economic Development Finance Act authorizing creation of a Statewide Economic Development Finance Program (Smart Money), creation of the economic development revolving fund, and authorizing NMFA to issue certain Economic Development Bonds, and to make loan participation and loan guarantees on behalf of entities engaged in qualifying economic development projects. The loan participation program shares risk of the project with the bank. The projects financed must stimulate economic development and create jobs.

According to statute, projects must be authorized by the Legislature.

## **ADMINISTRATIVE IMPLICATIONS**

The NMFA and Economic Development Department partner in developing and administering the Smart Money program and work together to identify all viable business expansion and relocation projects currently in need of financing assistance.